Talaa Journal of Islamic Finance
https://e-journal.iaingorontalo.ac.id/index.php/talaa

Empirical Analysis of Islamic Financing: PLS and Non-PLS Impacts on Real Sector

Muhamad Rifki Botutihe[1*], Aldiwanto Landali[2]
[1]Politeknik Kebangsaan, Indonesia
[2]Madrasah Aliyah Insan Cendekia Gorontalo, Indonesia
[*]Corresponding Email: mrbotutihe30@gmail.com

Keywords:
Islamic Financing, Profit and Loss Sharing, Non-Profit and Loss Sharing, Real Sector, Economic Growth

ABSTRACT

The main focus of this study is to understand why, despite PLS-based financing's advantages in terms of fair risk sharing and supporting long-term economic growth, its implementation is still limited compared to non-PLS schemes, which are considered simpler and less risky. Using an empirical approach based on data from Sharia financial institutions, this study assesses the relative contribution of the two financing models to real economic activity. The analysis was conducted through a comparison between PLS-based instruments, such as mudarabah and musharakah, with non-PLS instruments, such as murabahah, ijarah, and istishna. The result showed that PLS-based financing had a stronger positive influence on the real sector because it encouraged productive investment and fair risk sharing between funders and entrepreneurs. In contrast, non-PLS financing tended to be more dominant due to its lower risk and simpler operational mechanisms, but its link to real economic growth is relatively weaker. This study concludes that increasing the share of PLS-based financing can strengthen the sustainability and inclusiveness of the Islamic financial system. These findings offered important implications for policymakers, regulators, and practitioners in formulating strategies to strengthen the role of Islamic finance in sustainable real sector development.

Kata Kunci:
Pembiayaan Syariah, Bagi Hasil, Non-Bagi Hasil, Sektor Riil, Pertumbuhan Ekonomi

ABSTRAK

Analisis Empiris Pembiayaan Islam: Dampak PLS dan Non-PLS pada Sektor Riil. *Fokus utama penelitian ini adalah untuk memahami mengapa meskipun pembiayaan berbasis PLS memiliki keunggulan dalam hal berbagi risiko yang adil dan mendukung pertumbuhan ekonomi jangka panjang, penerapannya masih terbatas dibandingkan dengan skema non-PLS yang dianggap lebih sederhana dan kurang berisiko. Dengan menggunakan pendekatan empiris berbasis data dari lembaga keuangan syariah, penelitian ini menilai kontribusi relatif dari kedua model pembiayaan tersebut terhadap aktivitas ekonomi riil. Analisis dilakukan melalui perbandingan antara instrumen berbasis PLS, seperti mudarabah dan musharakah, dengan instrumen Non-PLS, seperti murabahah, ijarah, dan istishna. Hasil penelitian menunjukkan bahwa pembiayaan berbasis PLS memiliki pengaruh positif yang lebih kuat terhadap sektor riil karena mendorong investasi produktif dan pembagian risiko yang adil antara penyandang dana dan pengusaha. Sebaliknya, pembiayaan Non-PLS cenderung lebih dominan karena memiliki risiko yang lebih rendah dan mekanisme operasional yang lebih sederhana, namun keterkaitannya dengan pertumbuhan ekonomi riil relatif lebih lemah. Penelitian ini menyimpulkan bahwa peningkatan porsi pembiayaan berbasis PLS dapat memperkuat keberlanjutan dan inklusivitas sistem keuangan syariah.*

Article Information	: Received: 06 November 2025; Revised: 31 December 2025; Accepted: 31 December 2025
Hou To Cite	: Botutihe, R., & Landali, A. (2025). Empirical Analysis of Islamic Financing: PLS and Non-PLS Impacts on Real Sector. *Talaa : Journal of Islamic Finance*, *5*(2), 111–124. https://doi.org/10.54045/talaa.v5i2.798
e-ISSN / p-ISSN	: 2807-3002 / 2807-3312

INTRODUCTION

In general, financing approaches in Islamic financial institutions can be categorized into two main types: first, the approach based on the principle of profit and loss sharing (PLS), such as *mudarabah* and *musharakah*; and second, the approach that is not based on profit and loss sharing (non-PLS), such as *murabahah*, *salam*, *istisna*, *ijarah*, and various other forms (Mohammad Ashraful Ferdous Chowdhury, 2018). Business activities in the real sector have enabled Islamic financial institutions to play a significant role in strengthening the foundation of a more stable financial system (Rahman & Abdullah, 2014).

One of the key advantages of the Islamic financial system is its ability to bridge the gap between the monetary and real sectors through profit and loss sharing (PLS)-based financing mechanisms. In this model, fund disbursement is contingent upon project progress, which helps maintain balance between the real and monetary sectors and indirectly contributes to price stability (Yungucu & Saiti, 2016). For a long time, this approach is expected to stimulate economic growth (Imam & Kpodar, 2016).

Profit and loss sharing (PLS)-based financing has been proven effective in reducing poverty levels and serves as a major driver of economic productivity by channeling capital into productive sectors based on the principle of shared benefit (Boukhatem & Ben Moussa, 2018). Furthermore, PLS financing has also been shown to enhance the asset quality of Islamic banks and improve their capitalization levels (Beck & Merrouche, 2013).

Nevertheless, financing based on the profit and loss sharing (PLS) scheme is less preferred compared to non-PLS financing, primarily due to practical considerations and lower associated risks (Beck & Merrouche, 2013). Globally, Islamic banking transactions are dominated by non-PLS schemes, accounting for approximately 70% of total transactions, while PLS schemes contribute only about 5% (Hassan & Aliyu, 2017).

Bangladesh records the highest proportion of non-PLS financing at 98.3%, with PLS financing accounting for only 1.7% (Bangladesh Bank, 2019). In Malaysia, non-PLS financing similarly dominates, reaching 90.64%, while PLS financing constitutes 9.36% (Bank Negara Malaysia, 2020). Sudan, which operates a fully Islamic banking system, reports 10.88% of its financing as PLS and 89.12% as non-PLS (Central Bank of Sudan, 2019). In Pakistan, the situation is slightly more balanced, with PLS financing representing 19.80% and non-PLS financing making up 80.20% of total Islamic financing (State Bank of Pakistan, 2019).

Data on the evolution of financing based on the Profit and Loss Sharing (PLS) scheme in Indonesia can be found in the table below.

Table 1. Profit and Loss Sharing (PLS)

Tahun	PLS (Mil IDR)	Growth (%)	Ratio to Total Financ (%)	Ratio to Total Loans (%)	Non-PLS (Mil IDR)	Growth (%)	Ratio to Total Financ (%)	Ratio to Total Loans (%)
2009	17,009	–	36.28	0.75	29878	–	63.72	1.31
2010	23,255	36.72	34.11	0.84	44927	50.37	65.89	1.62
2011	29,189	25.52	28.43	0.86	73467	63.53	71.57	2.15
2012	39,690	35.98	26.91	1.46	107815	46.75	73.09	3.96
2013	53,499	34.79	29.06	1.61	130623	21.15	70.94	3.93
2014	63,741	19.14	31.98	1.17	135589	3.80	68.02	2.48
2015	75,533	18.50	35.46	1.27	137463	1.38	64.54	2.30
2016	93,713	24.07	37.79	1.43	154295	12.24	62.21	2.35
2017	118,651	26.61	41.53	1.65	167044	8.26	58.47	2.33
2018	145,507	22.63	45.44	1.90	174685	4.57	54.56	2.28
2019	171,270	17.71	48.22	2.07	183912	5.28	51.78	2.22
Average	75,551	26.17	35.93	1.36	121791	21.73	64.07	2.45

Notes: The table is end-of-the-year values sourced from various issues of Monthly Statistical Islamic Banking published by Bank Indonesia

During the period of 2009–2019, following the enactment of the Islamic Banking Act in 2008, both Profit and Loss Sharing (PLS) and non-PLS financing exhibited average annual growth rates of 26.17% and 21.73%, respectively. In 2009, the share of PLS financing stood at 36.28%, then declined to 26.91% by 2012. From the following years onward, PLS financing gradually increased, reaching 48.22% of total financing by 2019. Nevertheless, this growth was not sufficient to surpass the dominance of non-PLS financing, which still accounted for 51.78% in 2019 (Zaini Ibrahim & Kurniawan, 2021).

Profit and Loss Sharing (PLS)-based financing has shown significant potential in supporting the real sector. However, in practice, this scheme is still less favored compared to non-PLS financing. The primary issue addressed in this study is the factors influencing the preference for PLS-based financing over non-PLS financing, as well as the impact of each scheme on the development of the real sector, particularly in supporting economic growth, investment, and business expansion. The focus of this research is to explore why, despite the advantages of PLS-based financing in terms of profit-sharing and risk mitigation, its application remains limited within the Islamic finance industry. This study also aims to identify the factors that drive or hinder the adoption of PLS schemes in Islamic financing in Indonesia and other countries, by comparing the two financing schemes and assessing their relative contributions to the real sector.

Through an empirical approach based on data from Islamic financial institutions, this research is expected to provide deeper insights into the role of each financing scheme in supporting sustainable real sector development. The findings will offer important implications for policymakers, regulators, and practitioners in formulating strategies to strengthen the role of PLS-based financing in the real sector, thereby optimizing its contribution to inclusive and sustainable economic development.

LITERATURE REVIEW

Prinsip Profit Loss Sharing (PLS)

In the pre-Islamic era, financing principles were primarily based on two main models: mudarabah and musharakah. In mudarabah, one party provides the capital while the other contributes labor or management; profits are shared according to a mutual agreement, whereas losses are borne solely by the capital provider. In contrast, musharakah involves multiple investors pooling their capital, with profits shared based on an agreed ratio and losses distributed proportionally to each investor’s capital contribution. These concepts represent an alternative to the riba-based (interest-based) system, as they emphasize the sharing of both profits and losses in business arrangements (Mohammad Ashraful Ferdous Chowdhury, 2018). Early Islamic economists such as Qureshi (1946), Ahmad (1952), and Uzair (1955) proposed that mudarabah should serve as the cornerstone of the Islamic banking system. They argued that capital providers should share profits with their working partners, while any potential losses should be borne solely by the financier. Other contributors, including Al-Arabi (1966) and Irshad (1964), also emphasized mudarabah as a foundational concept in their economic thought. However, Irshad’s proposed 50:50 profit-sharing ratio was deemed inconsistent with Sharia principles, while Al-Arabi’s approach to profit distribution and loss responsibility was considered more aligned with Islamic teachings (Ismail, 2011). Nonetheless, these early theoretical contributions remained largely at the level of conceptual proposals with limited practical elaboration, until Siddiqi (1985) provided a more comprehensive theoretical foundation for Islamic banking and developed a detailed framework for financial intermediation. Chapra (1985) further advanced the idea of Islamic banking based on similar profit and loss sharing (PLS) principles, proposing that Islamic financial institutions function as investment-based entities distinct from conventional financial institutions. However, mudarabah and musharakah-based products alone are insufficient to meet the financing needs of most sectors, such as consumer goods and the supply of materials for various economic activities. Additionally, one of the major challenges in implementing PLS-based financing lies in the agency problem (Samad & Cook, 2005), which refers to the conflict of interest between the bank and the fund users (entrepreneurs or clients).

Prinsip Non Profit Loss Sharing (Non PLS)

Islamic jurists (fuqaha') have identified five types of deferred sales: Salam, Muajjal, Istisna, Ijarah, and Murabahah. These principles form the foundation of the non-PLS (Non-Profit and Loss Sharing) approach in the Islamic banking system, allowing banks to offer broader financial capacity through financing mechanisms that create obligations or are debt-based (Ismail, 1989, as cited in Kahf & Khan, 1992). Among these principles, Murabahah has emerged as the most prominent and widely practiced mode of Islamic finance, particularly among Islamic financial institutions. Under this principle, the seller discloses the actual cost incurred in acquiring a commodity and adds a pre-agreed profit margin to determine the selling price. The payment can be made in installments over a specified period as agreed upon in the contract. Each murabahah transaction generates a predetermined debt obligation and is generally considered secure. Islamic banks regard this financing model as safer compared to PLS-based approaches. Following its introduction, sale-based instruments such as murabahah have dominated Islamic bank financing preferences for several years. Although this sale-based approach is permissible under Sharia, it lacks the balanced incentives provided by PLS models—particularly in terms of encouraging long-term investment projects and enhancing risk management practices.

Real Sector

Economic activities in the real sector hold significant importance due to their close connection with aspects of consumption, employment opportunities, and financial income. The level of public consumption depends largely on developments within the real sector. Beyond serving as a major source of employment and income for society, the real sector provides the fundamental foundation upon which individuals engage in productive activities and earn their livelihoods. An increase in capacity or production within the real sector can help reduce unemployment rates and raise income levels, ultimately fostering economic growth (Muttaqin, 2018).

Factors such as consumption, employment, and financial income serve as key indicators in evaluating individual well-being, highlighting the substantial role of the real sector in determining societal welfare. The real sector encompasses the economic activities of firms, households, and institutions outside the financial sector that produce goods either for direct use or for further production processes. Components of the real sector include agriculture, mining, manufacturing, electricity, gas, clean water, and construction (Gunawan, 2019).

According to Al-Tariqi (2004), Islam must possess unique attributes to achieve the objectives of economic growth, incorporating several key characteristics:

Al-Syumul

The Islamic perspective on economic growth emphasizes that it extends far beyond material dimensions. Its broader objective, compared to the limited focus of conventional systems, is to achieve comprehensive social justice. Growth must be aligned with values encompassing material, moral, economic, social, spiritual, and fiscal dimensions, all of which are inseparable. The Islamic vision of well-being aspires not only to material prosperity and happiness in this world but also to ultimate happiness in the hereafter.

Tawazun

The Islamic view of economic growth stresses not only increased production but also the importance of equitable distribution, in line with Allah's command to "be just; that is nearer to righteousness" (Qur'an, Al-Maidah: 8). Islam underscores the importance of harmony in growth efforts. Consequently, the Islamic approach rejects development policies that prioritize urban expansion while neglecting rural areas, favor industrial growth at the expense of agriculture, or focus on certain programs without due attention to public infrastructure and essential services.

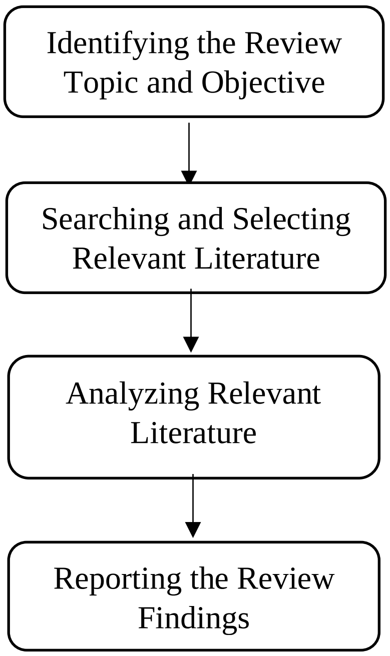
'Adl

The principle of distributive justice is central to the concept of growth. As stated in the Qur'an (Al-Nahl: 90), Allah commands justice, good conduct, and generosity to relatives, while forbidding immorality, wrongdoing, and oppression. The stark economic disparities between the wealthy and the poor have become a global reality—not only in developing nations such as Indonesia but also in advanced capitalist economies like the United States. Therefore, promoting economic growth aligned with the principle of equitable distribution is of utmost importance.

METHODOLOGY

This study employs a literature review method. The general steps in conducting a literature review can be described and classified in various ways (Massaro, Dumay, & Guthrie, 2016; Moher, Liberati, Tetzlaff, & Altman, 2009; Tranfield, Denyer, & Smart, 2003). However, these steps can be grouped into four main stages as suggested by Snyder (2019): (1) identifying the review topic; (2) searching for and selecting relevant literature; (3) analyzing the selected literature; and (4) reporting the review findings.

Figure 1. Model of Analysis



Source : (Snyder, 2019)

RESULT AND DISCUSSION

Sharia Financing

Financing refers to the provision of funds by one party to another as a form of support for a prepared investment project (Muhammad, 2005). The explanation of financing in Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic Banking regulates the accumulation of funds or obligations involved in various types of transactions, such as: a) Revenue based on profit-sharing in the form of mudharabah and musyarakah; b) Lease contracts through ijarah or lease with a purchase option under ijarah muntahiya bittamlik; c) Sale and purchase transactions using receivables under murabahah, salam, and istisna; d) Lending and borrowing in the form of qardh receivables; e) Service leasing under ijarah for multi-service transactions, in accordance with agreements between Islamic Banks or Sharia Business Units (UUS) and other parties. These agreements require the financing recipient or fund facility user to return the funds after a specified period, with payment in the form of ujrah (fees), without compensation, or based on profit-sharing. At the financing stage, Islamic banks employ various techniques and methods chosen according to funding needs and customer activities. The Islamic banking approach, which upholds the principle of business partnership, is rooted in the value of freedom from an interest-based system. In Islamic banking, the concept of financing does not involve debt-based transactions that generate interest as a consequence. Instead, the methods used include capital-sharing through profit-sharing systems, trade-based transactions with profit margins, and leasing or service fee-based arrangements. In implementing financing, Islamic banks must consider two essential aspects. First, they must ensure that every fund distribution to customers complies with Islamic Sharia principles, meaning the transaction must not contain elements contrary to Sharia, such as maysir (gambling), gharar (uncertainty), riba (usury), and must involve halal business activities. Second, banks must also consider the economic aspect, namely ensuring profitability both for the Islamic bank itself and for its customers (Ulpah, 2020).

Profit Loss Sharing (Mudharabah & Musyarakah)

Mudharabah

Mudarabah is a contractual arrangement involving two parties, where one acts as the provider of capital (Rabb al-Mal), and the other, known as the Mudharib, contributes expertise and labor (ISRA, 2010). The Rabb al-Mal is responsible for providing the capital, while the Mudharib manages the funds using financial knowledge and skills to execute an agreed-upon project (Awad & Allaymoun, 2019). The practice of Mudarabah was already well-established among Arab communities prior to the advent of Islam and was later endorsed by Islamic teachings. Historical records indicate that Prophet Muhammad (peace be upon him) himself served as a Mudharib by managing Khadijah's investments through trade expeditions to Syria (ISRA, 2010). Mudarabah emerged as a widely adopted business model among Arab traders before and after the rise of Islam, particularly in long-distance trade (Rahman M., 2018). Therefore, its legitimacy was unanimously accepted by Islamic scholars (Ibn Munzir, 1999). Regarding its regulation, most of the conditions governing Mudarabah resemble those applied to other Shariah contracts—namely, the contracting parties must meet specific qualifications, and the business activities involved must be free from riba (interest), gharar (uncertainty), and haram (prohibited) elements. However, Mudarabah contains two unique provisions related to capital and profit sharing, distinguishing it from other contracts. Most scholars hold that the capital provided in a Mudarabah must be in the form of money, as profits are calculated based on a predetermined ratio (nisbah). Using non-monetary assets as capital could lead to uncertainty at the end of the investment (Shafii & Md. Noh, 2013). To prevent disputes and ensure that the Mudharib can begin work immediately, the capital must be fully available at the time the contract is concluded. Before entering into a Mudarabah contract, both parties must agree upon a profit-sharing mechanism, although it may be modified later through mutual consent (ISRA, 2010). Scholars also agree that profits must be determined as a percentage rather than an absolute value, as Mudarabah operates within a partnership framework (Al-Zuhaili, 2006).

Musyarakah

Musharakah financing is a form of partnership in which two or more entrepreneurs collaborate as business partners to run a venture. In this scheme, each party contributes capital and participates in the management of the business, with profits and losses shared according to their respective capital contributions (Ascarya, 2011). Another term for Musharakah is Syarikah or Shirkah, which refers to a partnership. According to PSAK No. 106, Musharakah is a cooperative agreement between two or more parties for a specific business enterprise. In this agreement, each party contributes funds with the understanding that profits will be distributed based on mutual agreement, while losses are borne in proportion to the amount of capital contributed. Together, the partners contribute funds to support a business—either an existing one or a new venture. One of the partners may return the funds and share the profits according to the agreed terms with the other partners. Musharakah is also defined as an agreement between two or more parties to jointly manage a particular business, in which each party provides capital or other forms of contribution, with the understanding that profits or risks will be distributed according to the terms agreed upon (Umam, 2017). Therefore, Musharakah can be described as a cooperative agreement between two or more parties—either individuals or groups—in a particular business activity, where each party invests their funds and shares both profits and losses based on mutual consent (Faradilla & Shabri, 2017).

Non Profit Loss Sharing

Murabahah

Etymologically, the term "Murabahah" is derived from the Arabic word ربح(ribh), which means profit or gain. In the context of trade transactions, Murabahah refers to a sale in which the profit margin is clearly disclosed. Terminologically, Murabahah denotes a sales contract in which the selling price of a good consists of the cost price plus an agreed-upon profit margin (Al-Zuhaili, 1984). The fiqh-based scheme most widely adopted by Islamic financial institutions is the Murabahah sale contract, which was originally practiced by the Prophet Muhammad (SAW) and his companions. In its simplest form, Murabahah is a sale transaction where the selling price equals the cost of the good plus a pre-agreed profit margin (Karim, 2007).

Ijarah

Ijarah is a contract that transfers the right to use or benefit from an asset for a specified period in exchange for a rental payment (ujrah), without transferring ownership of the asset itself (Furywardhana, 2009). According to Syafi'i, as cited in Eprianti (2017), Ijarah is an agreement related to the use of an asset in return for a fee. Furthermore, when the lease period ends, the lessee may have the option to purchase the asset, which would then be considered a used good. In an Ijarah agreement, the object of the contract may provide two types of benefits: (1) benefits derived from a physical asset, and (2) benefits derived from services. For instance, Ijarah involving physical assets may include the leasing of cars, houses, or similar goods, while Ijarah involving services may include the use of expertise from professionals such as consultants, lawyers, or teachers. The ujrah represents the income earned from the Ijarah transaction — the agreed-upon payment made by the user of the benefit in exchange for the utility received (Hustia & Candera, 2019).

Istishna

Al-Istisna financing is a sales contract in which the payment for goods is made in advance, but the delivery of the goods occurs later after the manufacturing process, with payments possibly made in installments according to the agreed terms (Arifin, 2006). Sjahdeini (2014) further explains that Istisna is a sales agreement between a buyer (the orderer) and a seller (the manufacturer), in which the price and specifications of the goods are determined at the beginning, while payments are made progressively based on the mutual agreement. According to the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), Istisna is defined as a sales contract involving an order for the manufacture of specific goods that meet predetermined criteria and conditions agreed upon between the mustashni‘ (buyer/orderer) and the shani‘ (seller/manufacturer) (Hustia & Candera, 2019).

The Role of Profit and Loss Sharing (PLS) Financing in the Real Sector

Sharia-based Profit and Loss Sharing (PLS) financing has become an integral component of the financial system that integrates Islamic principles with economic justice. Within the real sector, PLS financing plays a significant role in advancing economic development by introducing a financial mechanism grounded in equity, shared risk, and the joint distribution of profit and loss between fund providers and recipients.

PLS financing instruments such as *mudharabah* and *musyarakah* offer viable alternatives for funding real-sector enterprises. These instruments not only serve as sources of capital but also foster healthy partnerships between parties engaged in financial transactions. According to Norfaizah Othman and Abdul-Rahman (2023), equity-based financing (Profit and Loss Sharing) contributes to improving the stability of financial institutions. Similarly, Zaini Ibrahim and Kurniawan (2021) found that PLS financing is resistant to interest rate fluctuations, implying that PLS mechanisms have a substantial impact on the real sector.

The main roles of Sharia PLS financing in the growth of the real sector include:

1. Active Participation in Business Development:Through the principle of shared profit and loss, PLS financing incentivizes both investors and entrepreneurs to collaborate in business development. Funding through *mudharabah* or *musyarakah* strengthens the partnership between capital providers and business operators, encouraging cooperation in risk management and equitable profit distribution.
2. Risk Mitigation and Loss Sharing: The PLS model reduces risk exposure for both parties. In cases where the business incurs losses, such losses are fairly distributed between the investor and the entrepreneur. This equitable risk-sharing mechanism promotes effective risk management and discourages speculative behavior.
3. Encouragement of Entrepreneurship and Innovation:By adopting the PLS approach, Islamic financing stimulates entrepreneurial activity and innovation. Since both parties share profits and losses, entrepreneurs are motivated to innovate and improve operational performance to achieve better returns.

4. Inclusivity and Sustainability:The PLS scheme promotes greater financial inclusion by involving diverse stakeholders in economic activities. It also encourages long-term relationships between partners who share mutual interests in business success, fostering sustainable economic growth.

Overall, the PLS model aligns with the core principles of Sharia—emphasizing fairness, participation, and shared responsibility—and plays a vital role in offering ethical, partnership-based financing alternatives for Islamic financial institutions.

The Role of Non-Profit Loss Sharing Financing in the Real Sector

From several literature studies above, it can be illustrated that non-profit loss sharing (non-PLS) Islamic financing is a financing method used by Islamic banks or financial institutions in which they do not share the risk of loss with the financed party. In this scheme, the bank or financial institution only receives a predetermined profit without sharing the potential losses with the borrower (Kahf & Khan, 1992). The advantages of non-profit loss sharing Islamic financing include:

1. Clarity and Predictability**:** In non-PLS financing, the bank or financial institution determines the profit it will earn at the outset. This provides clarity and predictability for the borrower regarding the total amount to be repaid.
2. Administrative Simplicity**:** This scheme tends to be easier administratively because the profit margin is pre-determined, simplifying the transaction process.
3. Improved Liquidity**:** By determining the profit margin in advance, Islamic banks or financial institutions can better forecast cash flow and improve their liquidity.

The roles of non-PLS Islamic financing in the real sector include:

1. Asset and Investment Financing**:** Non-PLS financing types such as *murabahah, istisna*, and *ijarah* support asset purchases and investments in projects that promote real sector growth.
2. Facilitating Financial Access**:** The clear and structured nature of non-PLS transactions provides easier access to financing for business actors in the real sector who may face difficulties obtaining conventional financing.

This aligns with the research conducted by Khemaies Bougatef & Mnari (2020), which states that Islamic bank financing plays a significant role in enhancing industrial development and that the positive impacts in both the short and long term primarily stem from non-PLS financing.

Profit Loss Sharing , Non Profit Loss Sharing dan Sektor Rill

Islamic financing, both PLS and non-PLS, contributes significantly to the growth of the real sector. This is because Islamic financing strictly avoids interest (riba), which otherwise would hinder the circulation of funds within the real sector (Muttaqin, 2018). The following is a report on the volume of Islamic financing transactions at one of the Islamic banks in Indonesia.

Figure 2. Volume of Islamic financing transactions of the Islamic banks in Indonesia

No.	POS-POS	INDIVIDUAL 31 Desember 2017	INDIVIDUAL 31 Desember 2016
	PENDAPATAN DAN BEBAN OPERASIONAL		
A.	**Pendapatan dan Beban Operasional dari Penyaluran Dana**		
1.	**Pendapatan Penyaluran Dana**		
	a. Rupiah		
	i. Pendapatan Dari Piutang		
	- *Murabahah*	4.216.447	3.898.918
	- *Istishna'*	125	83
	- *Ujrah*	267.087	216.595
	ii. Pendapatan Dari Bagi Hasil		
	- *Mudharabah*	[illegible]	[illegible]

No.	POS-POS	INDIVIDUAL 30 September 2023	INDIVIDUAL 30 September 2022
	PENDAPATAN DAN BEBAN OPERASIONAL		
A.	**Pendapatan dan Beban Operasional dari Penyaluran Dana**		
1.	**Pendapatan Dari Penyaluran Dana**	**17.166.257**	**14.915.239**
	a. Pendapatan Dari Piutang	10.074.355	9.019.085
	i. *Murabahah*	9.342.180	8.364.778
	ii. *Istishna*	60	165
	iii. Multijasa	22.968	-
	iv. *Ujrah*	709.147	654.142
	v. Lainnya	-	-
	b. Pendapatan Dari Bagi Hasil	4.386.296	3.495.013
	i. *Mudharabah*	62.630	115.876
	ii. *Musyarakah*	4.323.666	3.379.137
	iii. Lainnya	-	-
	c. Pendapatan Sewa	89.400	48.925
	d. Lainnya	2.616.206	2.352.216

Laporan Keuangan Bank Syariah Indonesia 2023

The data from the Islamic bank above indicates that the volume of Islamic financing transactions in Indonesia is still dominated by non–profit loss sharing (non-PLS) financing. Referring to the thoughts of Al-Tariqi (2004), the goal of the real sector is economic growth, which must be achieved through several fundamental characteristics:

1. Al-Syumul

   Growth must aim toward objectives and values that integrate material, moral, economic, social, spiritual, and fiscal dimensions. The vision of prosperity and happiness in Islam encompasses not only material welfare in this world but also spiritual well-being in the hereafter. Both PLS and non-PLS Islamic financing play a role in supporting the real sector. However, theoretically and in terms of overall benefits, PLS financing has a greater role in realizing these objectives. This is because PLS financing creates a *multiplier effect* through its profit-sharing concept, leading to broader socio-economic benefits compared to non-PLS financing.
2. Tawazun

   The Islamic perspective on economic growth emphasizes not only increasing production but also ensuring fair distribution, as commanded by Allah to uphold justice as a form of piety (Q.S. Al-Maidah: 8). Islam stresses the importance of maintaining balance in achieving economic progress. From this perspective, both PLS and non-PLS financing contribute to balance within the real sector and have positive effects on economic growth.

3. Adl

   The principle of distributive justice is central to economic growth, as it must align with fairness. From this standpoint, PLS financing is considered more just because it embodies the principles of profit and risk sharing, ensuring equitable treatment between capital providers and entrepreneurs.

CONCLUSIONS

Indonesia, as the country with the largest Muslim population in the world, holds significant potential for the development of an Islamic financial system. Research has shown that Islamic financing—both through Profit and Loss Sharing (PLS) and non-PLS schemes—has a positive and significant impact on industrial growth in both the short and long term. This also indicates that the real contribution of PLS-based financing is greater than that of non-PLS financing in supporting industrial production. However, in practice, Islamic financing in Indonesia is still dominated by non-PLS schemes. Therefore, to enhance the contribution of Islamic finance to economic growth, concrete steps and initiatives must be taken to further promote PLS-based financing. In line with the views of many professionals, Islamic banking institutions should gradually shift their financing focus from non-PLS to PLS schemes.

REFERENCES

Ahmad, S. (1952). *Economics of Islam.* Lahore: nstitute of Islamic Culture.

Al Zuhaili, W. (1984). *Fiqih Islam Wa Adilatuhu.* Lebanon: Dar al Fikri.

Al-Arabi, M. (1966). "Contemporary banking transactions and Islam's views thereon",. *Islamic Review, Vol. May, London*, 10-16.

Al-Tariqi, A. A. (2004). *Ekonomi Islam: Prinsip, Dasar dan Tujuan.* Yogyakarta: Magistra Insania Press.

Al-Zuhaili, W. (2006). *Fiqh al-Islami wa Adillatuhu.* Damascus: Dar al-Fikr.

Arifin, Z. (2006). *Dasar-Dasar Manajemen Bank Syariah.* Jakarta: Pustaka Alvabet.

Ascarya. (2011). *Akad dan Produk Bank Syariah.* Jakarta: Rajawali Press.

Awad, O. H., & Allaymoun, M. (2019). "E-Mudaraba suggested system for Islamic investments", . *Journal of Internet Banking and Commerce, Vol. 24 No. 1.*

Beck, T. D.-K., & Merrouche, O. (2013). "Islamic vs conventional banking: business model, efficiency and stability", . *Journal of Banking and Finance, Vol. 37 No. 2,*, 433-447.

Boukhatem, J., & Ben Moussa, F. (2018). “The effect of Islamic banks on GDP growth: some evidence from selected MENA countries”, . *Borsa Istanbul Review, Vol. 18 No. 3,*, 231-247.

Chapra, M. (1985). Towards a Just Monetary System, Vol. 8, . *International Institute of Islamic Thought (IIIT).*

Eprianti, N. (2017). Pengaruh Pendapatan Ijarah terhadap Profitabilitas (Studi kasus pada bank Jabar Banten Kantor Cabang Syariah Bandung. . *Jurnal Amwaluna. Vol. 1. No. 1.* , 19-33.

Faradilla, C. M., & Shabri., M. (2017). "The Effect of Murabahah, Istishna, Ijarah, Mudharabah and Musyarakah Financing on the Profitability of Islamic Commercial Banks in Indonesia. *Journal of Postgraduate Accounting Megister, University of Syiah*.

Furywardhana, F. (2009). *Akuntansi Syariah di Lembaga Keuangan Syariah.* Jakarta: Guapedia.

Gunawan, F. B. (2019). Hubungan Kausalitas Antara Sektor Keuangan Dan Sektor Riil di Indonesia. *Jurnal Akuntansi Maranatha Volume 11 Nomor 1,* 44 - 60.

Hassan, M., & Aliyu, S. (2017). “A contemporary survey of Islamic banking literature”, . *Journal of Financial Stability, Vol. 34,*, doi: 10.1016/j.jfs.2017.11.006.

Hustia, A., & Candera, M. (2019). Pengaruh Pembiayaan Qardh, Ijarah dan Istishna terhadap Profitabilitas Bank Pembiayaan Rakyat Syariah (BPRS) di Indonesia. *JURNAL MANAJEMEN DAN KEUANGAN, VOL.8, NO.1*, 58-67.

Ibn Munzir, M. (1999). *Al-Ijma, in Hanif, M. (Ed.),* . Ajman: al-Maktabah al-Furqan.

Imam, P., & Kpodar, K. (2016). “Islamic banking: good for growth?”, . *Economic Modelling, Vol. 59,* , 387-401.

Irshad, S. (1964). *Interest Free Banking.* Karachi: Orient Press of Pakistan.

Ismail, A. (2011). “The theory of Islamic banking: look back to original idea”,. *Journal of Islamic Economics, Banking & Finance, Vol. 7 No. 3*, 9-22.

ISRA. (2010). *Islamic Financial System.* Kuala Lumpur: Principles and Operations, ISRA.

Kahf, M., & Khan, T. (1992). *Principle of Islamic Financing.* Jeddah: slamic Research and Training Institute Islamic Development Bank.

Karim, A. A. (2007). *Bank Islam, Wacana Ulama.* . Jakarta: Raja Grafindo Persada.

Khemaies Bougatef, M. S., & Mnari, O. (2020). The nexus between Islamic banking and industrial production Empirical evidence from Malaysia. *ISRA International Journal of Islamic Finance Vol. 12 No. 1*, 103-114.

Massaro, M., Dumay, J., & Guthrie, J. (2016). “On the shoulders of giants: undertaking a structured literature review in accounting’, accounting”, . *Accounting, Auditing and Accountability Journal, Vol. 29 No. 5, ,* 767-801.

Mohammad Ashraful Ferdous Chowdhury, C. S. (2018). Nexus between risk sharing vs non-risk sharing financing and economic growth of Bangladesh ARDL bound testing and continuous wavelet transform (CWT) approach. *Managerial Finance Vol. 44 No. 6,,* 739-758.

Moher, D., Liberati, A., Tetzlaff, J., & Altman, D. (2009). “Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement”, . *PLoS Medicine, Vol. 6 No. 7, p. e1000097.*

Muhammad. (2005). *Manajemen Pembiayaan Bank Syariah.* Yogyakarta: UPP. AMN YKPN.

Mutamimah, M., & Saputri, P. L. (2023). Corporate governance and financing risk in Islamic banks in Indonesia. *Journal of Islamic Accounting and Business Research Vol. 14 No. 3, ,* 436-450.

Muttaqin, R. (2018). Pertumbuhan Ekonomi dalam Perspektif Islam Economic Growth in Islamic Perspective. *Maro, Jurnal Ekonomi Syariah dan Bisnis, Vol.1 . No. 2*.

Norfaizah Othman, M. A.-M., & Abdul-Rahman, A. (2023). Equity financing and Islamic bank stability: evidence from Malaysia and Indonesia. *International Journal of Islamic and Middle Eastern Finance and Management Vol. 16 No. 6,* 1248-1268.

Qureshi, A. (1946). *Islam and the Theory of Interest.* Lahore: Shaikh Muhammad Ashraf Publishers.

Rahman, A. A., & Abdullah, M. (2014). “Failure and potential of profit-loss sharing contracts: a perspective of new institutional, economic (NIE) theory”,. *Pacific-Basin Finance Journal, Vol. 28, ,* 136-151.

Rahman, M. (2018). “Mudarabah and its applications in Islamic finance: an analysis”,. *Asian Journal of Research in Banking and Finance, Vol. 8 No. 6, p. 33,,* available at: https://doi.org/10.5958/2249- 7323.2018.00042.1.

Samad, A. G., & Cook, B. (2005). “Islamic banking and finance in theory and practice: the experience of Malaysia and Bahrain”,. *The American Journal of Islamic Social Sciences, Vol. 22 No. 2,,* 69-86.

Shafii, Z. M., & Md.Noh, S. (2013). *Islamic Financial Planning and Wealth Management.* Kuala Lumpur: IBFIM.

Siddiqi, M. (1985). Partnership and Profit-Sharing in Islamic Law, Vol. 9,. *Islamic Foundation, Leicester.*

Sjahdeini, S. R. (2014). *Perbankan Syariah: Produk-produk dan Aspek-aspek Hukumnya.* Jakarta: Kencana.

Snyder, H. (2019). “Literature review as a research methodology: an overview and guidelines”, . *Journal of Business Research, Vol. 104 No. 5,* , 333-339.

Sukirno, S. (1999). *Pengantar Teori Makro Ekonomi, II.* Jakarta: PT. Raja Grafindo Persada, 413–414.

Tranfield, D., Denyer, D., & Smart, P. (2003). “Towards a methodology for developing evidenceinformed management knowledge by means of systematic review”, . *British Journal of Management, Vol. 14 No. 3,* , 207-222.

Ulpah, M. (2020). KONSEP PEMBIAYAAN DALAM PERBANKAN SYARIAH. *Madani Syari’ah, Vol. 3 No.2*.

Umam, K. (2017). *Sharia Banking Management.* Bandung: Pustaka Setia.

Uzair, M. (1955). *An Outline of Interest Less Banking.* Karachi: Raihan Publications.

Yungucu, B., & Saiti, B. (2016). “The effects of monetary policy on the Islamic financial services industry”, . *Qualitative Research in Financial Markets, Vol. 8 No. 3,* , 218-228.

Zaini Ibrahim, N. E., & Kurniawan, R. (2021). Determinants of profit and loss sharing financing in Indonesia . *Journal of Islamic Marketing Vol. 13 No. 9,* , 1918-193.

Copyright Holder:
© Botutihe, R., & Landali, A. (2025).

Fisrt Publication Right:
Talaa : Journal of Islamic Finance
Department of Sharia Financial Management Institut Agama Islam Negeri Sultan Amai Gorontalo, Indonesia
(cc) BY-SA